

State of the Banking Industry  
Presentation for:  
Team A/Equity Managers Association May  
Meeting

William S. Haraf  
Commissioner  
California Department of Financial Institutions  
5/27/2010

# State / National Bank Comparison

## California Headquartered Institutions

(as of 12/31/09)

<b>Banks Over 3 Years of <u>Operation by Asset Size</u></b>	<b><u># State</u></b>	<b><u>% of Total</u></b>	<b><u># Nat'l</u></b>	<b><u>% of Total</u></b>
< \$100MM	25	12%	7	13%
\$100MM to \$500MM	107	49%	32	59%
\$500MM to \$2B	40	18%	5	9%
<u>\$2B and &gt;</u>	<u>19</u>	<u>9%</u>	<u>6</u>	<u>11%</u>
<b><u>Banks &lt; 3 Years of Operations</u></b>	<b><u>26</u></b>	<b><u>12%</u></b>	<b><u>4</u></b>	<b><u>7%</u></b>
Total	217	100%	54	100%

# State / National Bank Comparison

Total Asset Size  
(as of 12/31/09)

<b><u>Banks Over 3 Years of Operation by Asset Size</u></b>	<b><u>State Banks</u></b>	<b><u>% of Total</u></b>	<b><u>Nat'l Banks</u></b>	<b><u>% of Total</u></b>
< \$100MM	\$1.8B	1%	\$446M	0%
\$100MM to \$500MM	\$24.8B	11%	\$6.9B	4%
\$500MM to \$2B	\$38.8B	16%	\$5.7B	3%
<u>\$2B and &gt;</u>	<u>\$162.8B</u>	<u>69%</u>	<u>\$148.5B</u>	<u>87%</u>
<b><u>Banks &lt; 3 Years of Operations</u></b>	<u>\$8.3B</u>	<u>3%</u>	<u>\$10.4B</u>	<u>6%</u>
Total	\$236.5B	100%	\$171.9B	100%

# CA State Member vs. Nonmember

## Bank Comparison (as of 12/31/09)

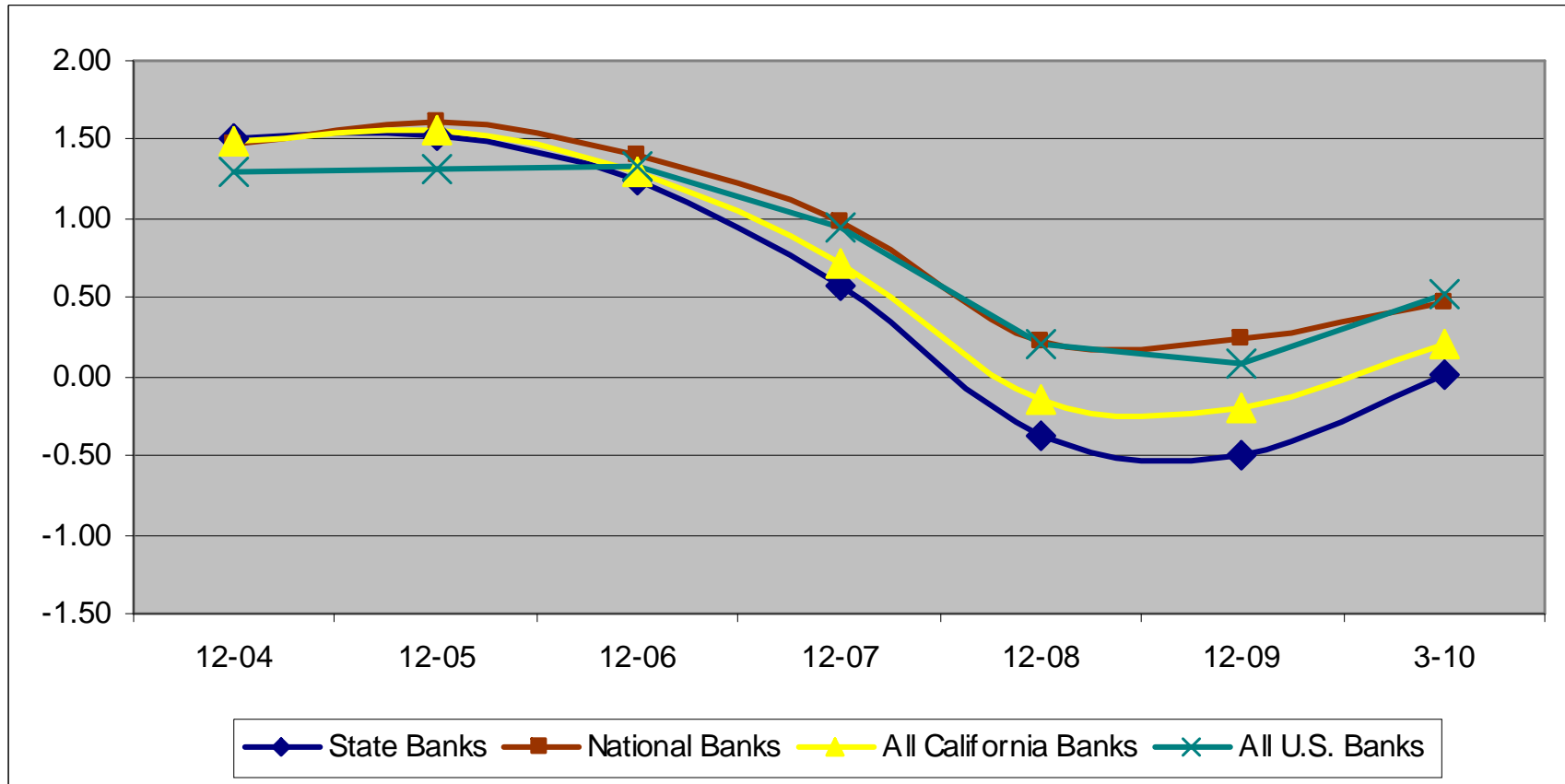
### **Banks Over 3 Years of Operation by Asset Size**

	<b><u># Member</u></b>	<b><u>% of Total</u></b>	<b><u># Non- Member</u></b>	<b><u>% of Total</u></b>
< \$100MM	0	0%	25	13%
\$100MM to \$500MM	12	44%	95	50%
\$500MM to \$2B	8	30%	32	17%
<u>\$2B and &gt;</u>	<u>5</u>	<u>19%</u>	<u>14</u>	<u>7%</u>

### **Banks < 3 Years of Operations**

	<u>2</u>	<u>7%</u>	<u>24</u>	<u>13%</u>
Total	27	100%	190	100%

# Return on Assets



# Return on Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

**Annualized year-to-date through March 31, 2010**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More**	All asset sizes	
Number of Banks	22	108	40	17	22	209
First Quintile	1.2	1.0	1.3	1.0	0.3	1.1
Second Quintile	0.5	0.5	0.8	0.5	-0.1	0.6
Third Quintile	0.0	0.3	0.4	0.3	-1.4	0.3
Fourth Quintile	-1.0	-0.3	0.1	-3.0	-1.9	-0.4
Fifth Quintile	-2.4	-2.3	-1.2		-4.2	-2.7
Total	-0.4	0.0	0.3	0.1	-2.2	0.0

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

\*\* Due to the small population in this category, it was divided into four equal sized groups.

# Pre-tax, Pre-provision Return on Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

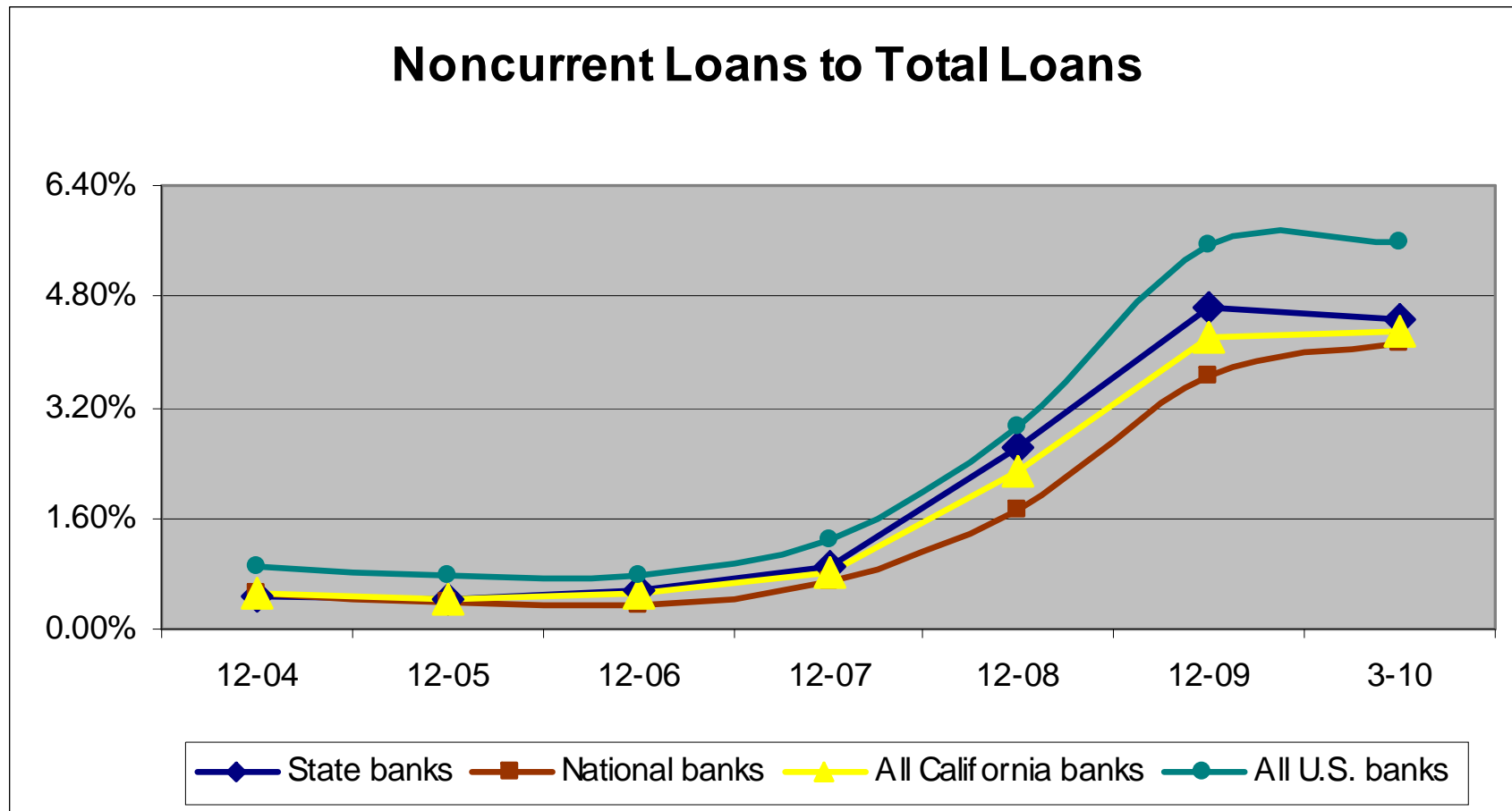
Annualized year-to-date through March 31, 2010

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More**	All asset sizes	
Number of Banks	22	108	40	17	22	209
First Quintile	2.5	2.1	2.7	2.7	0.7	2.6
Second Quintile	1.1	1.3	1.8	2.3	0.4	1.5
Third Quintile	0.1	0.8	1.4	1.8	-0.2	0.9
Fourth Quintile	-0.6	0.4	1.0	1.4	-0.9	0.3
Fifth Quintile	-2.0	-0.8	0.1		-2.6	-1.2
Total	0.3	0.9	1.4	1.8	2.3	1.7

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

\*\* Due to the small population in this category, it was divided into four equal sized groups.

# Noncurrent Loans and Leases to Total Loans and Leases

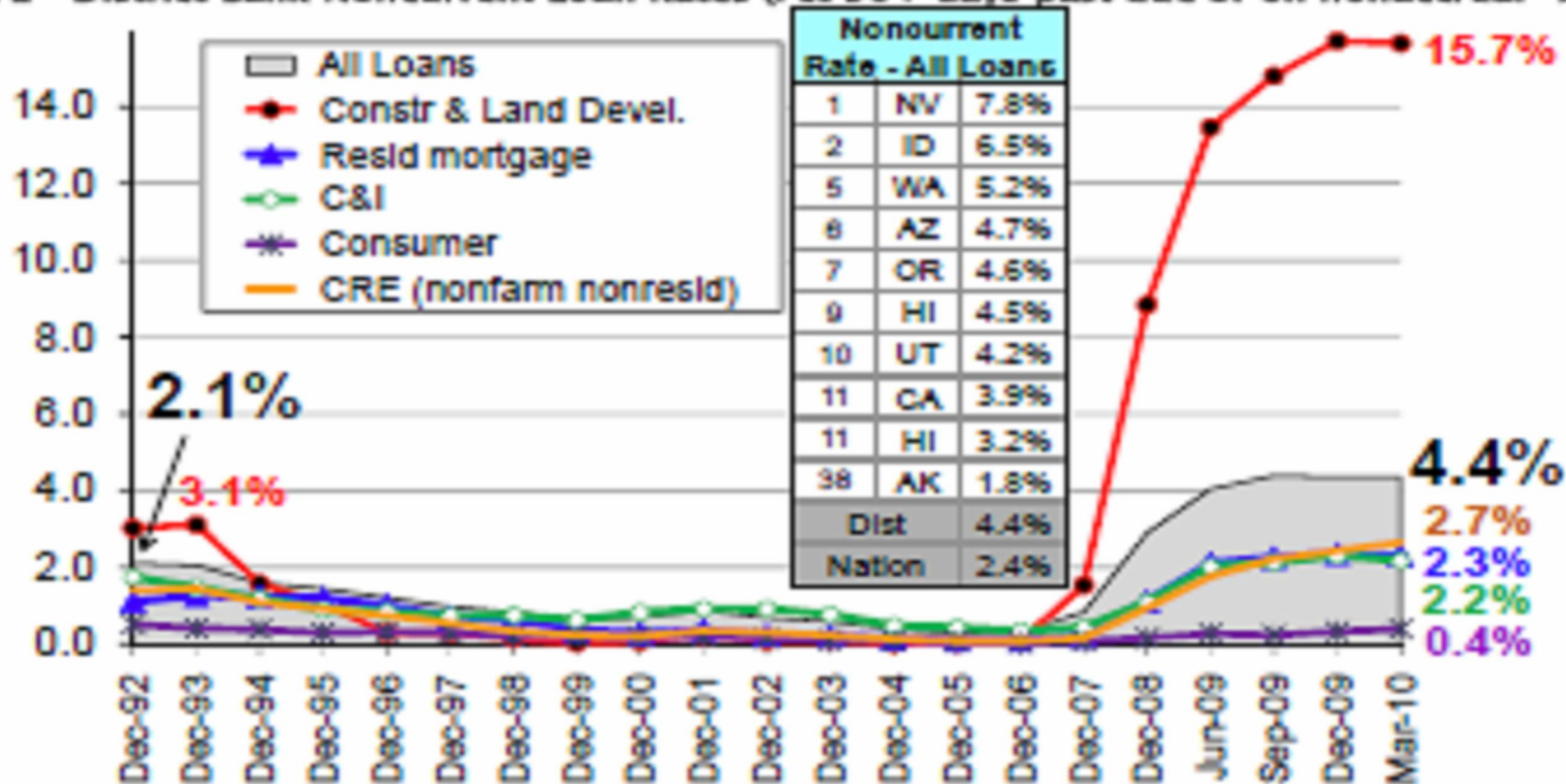




## Noncurrent Loan Rates Plateaued, Due Largely to Charge-offs

*Only CRE Income Property Noncurrent Rates Rose Materially in 1Q10*

12<sup>th</sup> District Bank Noncurrent Loan Rates (Pct 90+ days past due or on nonaccrual -%)

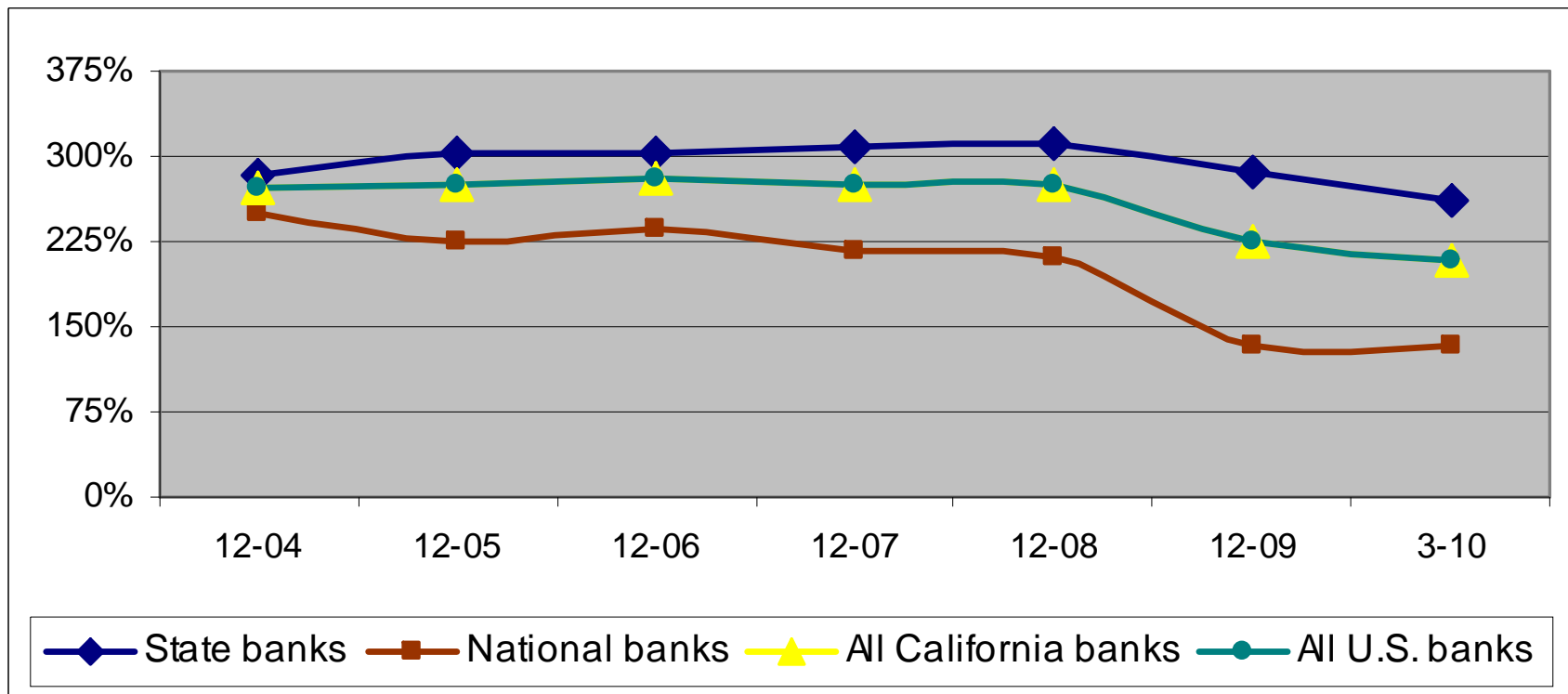


FRB-SF

First Glance 12L - May 2010

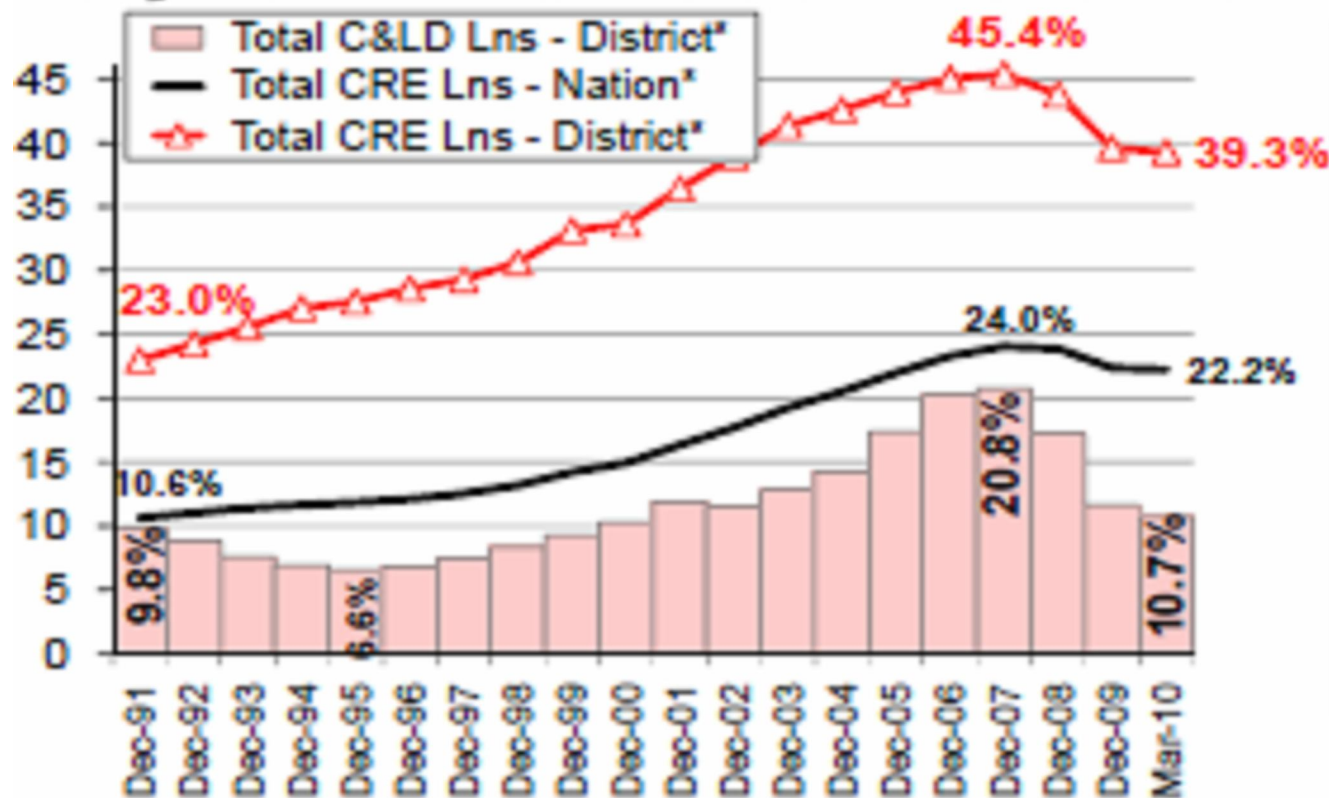
Source: Regulatory Call & Income Reports; all commercial & industrial banks excluding De Novos; trimmed means, preliminary 1Q10 data.

# Commercial Real Estate Loans to Total Equity Capital



## District Avg. Total CRE Loan Concentrations Have Declined But are Still Well Above the Nation

Average Loan Concentrations as a Pct of Total Loans – %



CRE Lns / Tot. Lns excl. owner occupied NFNR		
U.S. Rank	State	State Avg
1	NV	46%
2	CA	42%
5	AZ	38%
6	WA	38%
7	OR	37%
10	HI	34%
11	UT	34%
16	AK	31%
17	ID	30%
12 <sup>th</sup> District		38%
Nation		22%

FRB-SF

First Glance 12L - May 2010

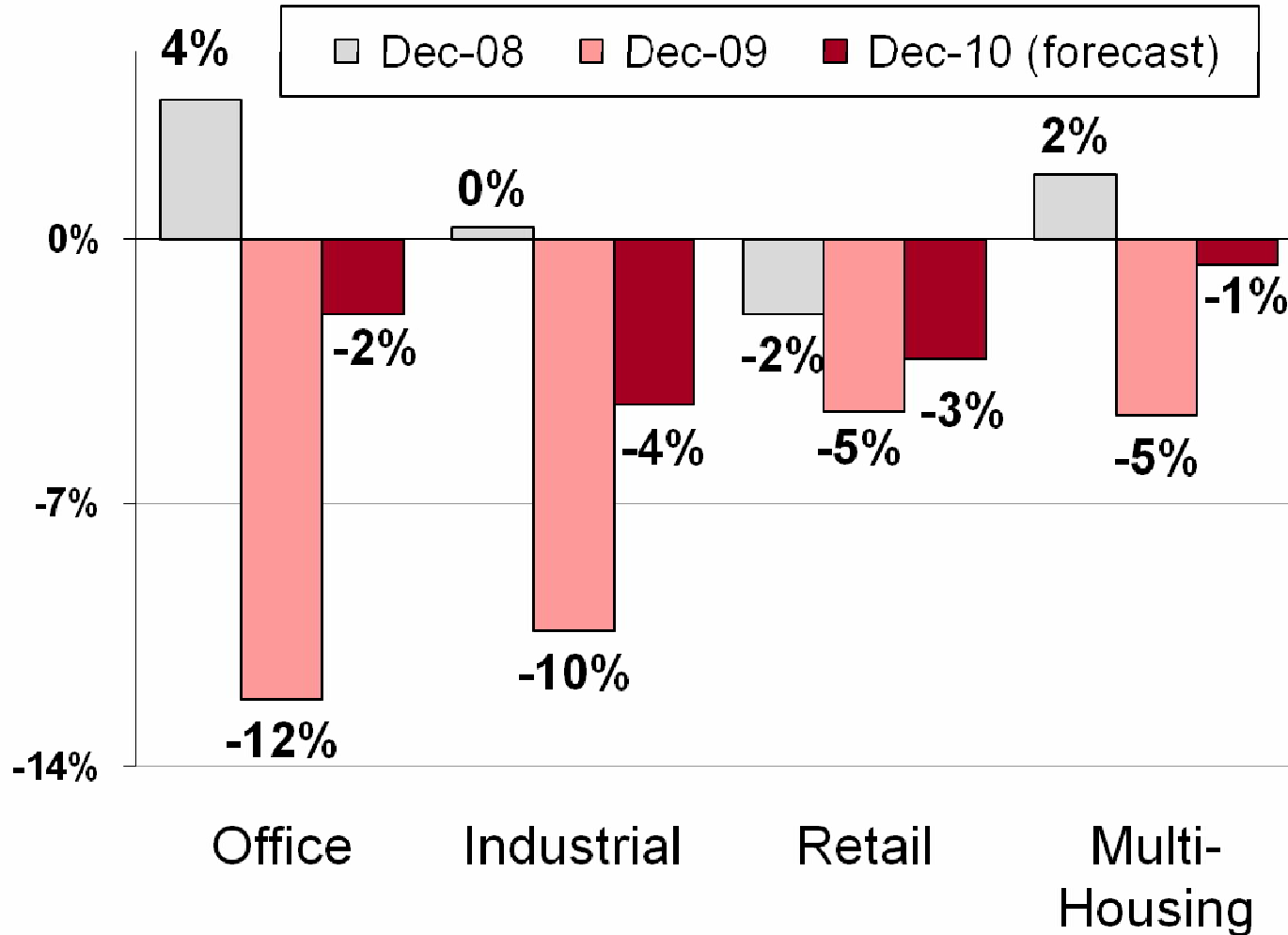
Commercial banks only (excludes Industrials); trimmed means; \* Total CRE loans include C&LD loans, and exclude owner-occupied nonfarm nonresidential secured loans, as estimated prior to 2008, preliminary 2/2010 data.

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# Rent Growth Turned Sharply Negative in 2009

*Forecasts call for further declines*

Effective rent growth by sector – years ending 12/31



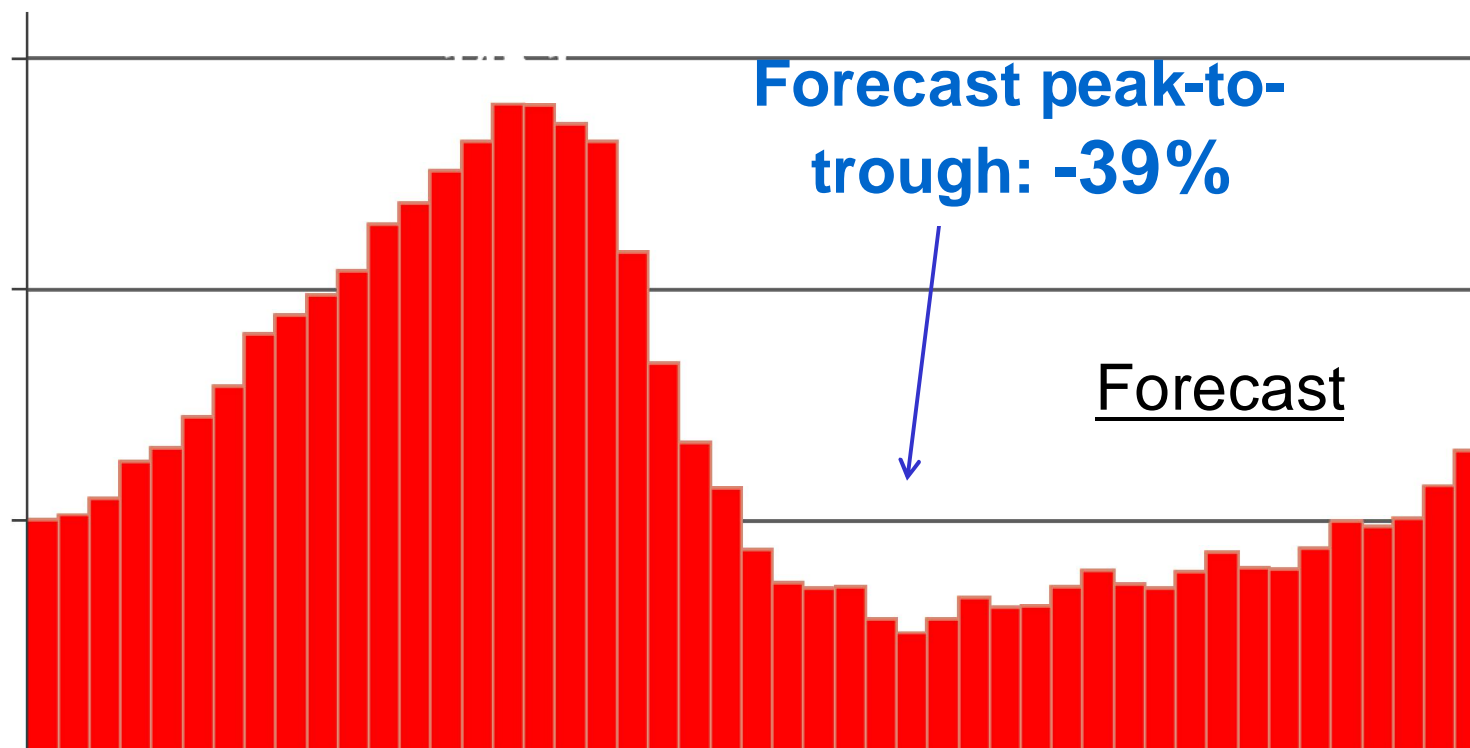
Change in <b>Office</b> Rents Year ending 12/09 (%)		
rnk	MSA	%
1	San Francisco	-21%
2	New York	-21%
3	Ventura	-19%
4	Long Island	-16%
Change in <b>Industrial</b> Rents Year ending 12/09 (%)		
rnk	MSA	%
1	Riverside	-26%
2	Trenton, NJ	-24%
3	Tucson	-22%
4	Housing Bust States Las Vegas Shaded Las Angeles	-19%
5	Las Angeles	-18%

Source: CBRE Econometric Advisors, Spring 2010 Outlook, Sum of Markets.  
Retail = Neighborhood & Community Shopping Centers

# CRE Property Values are Down Sharply

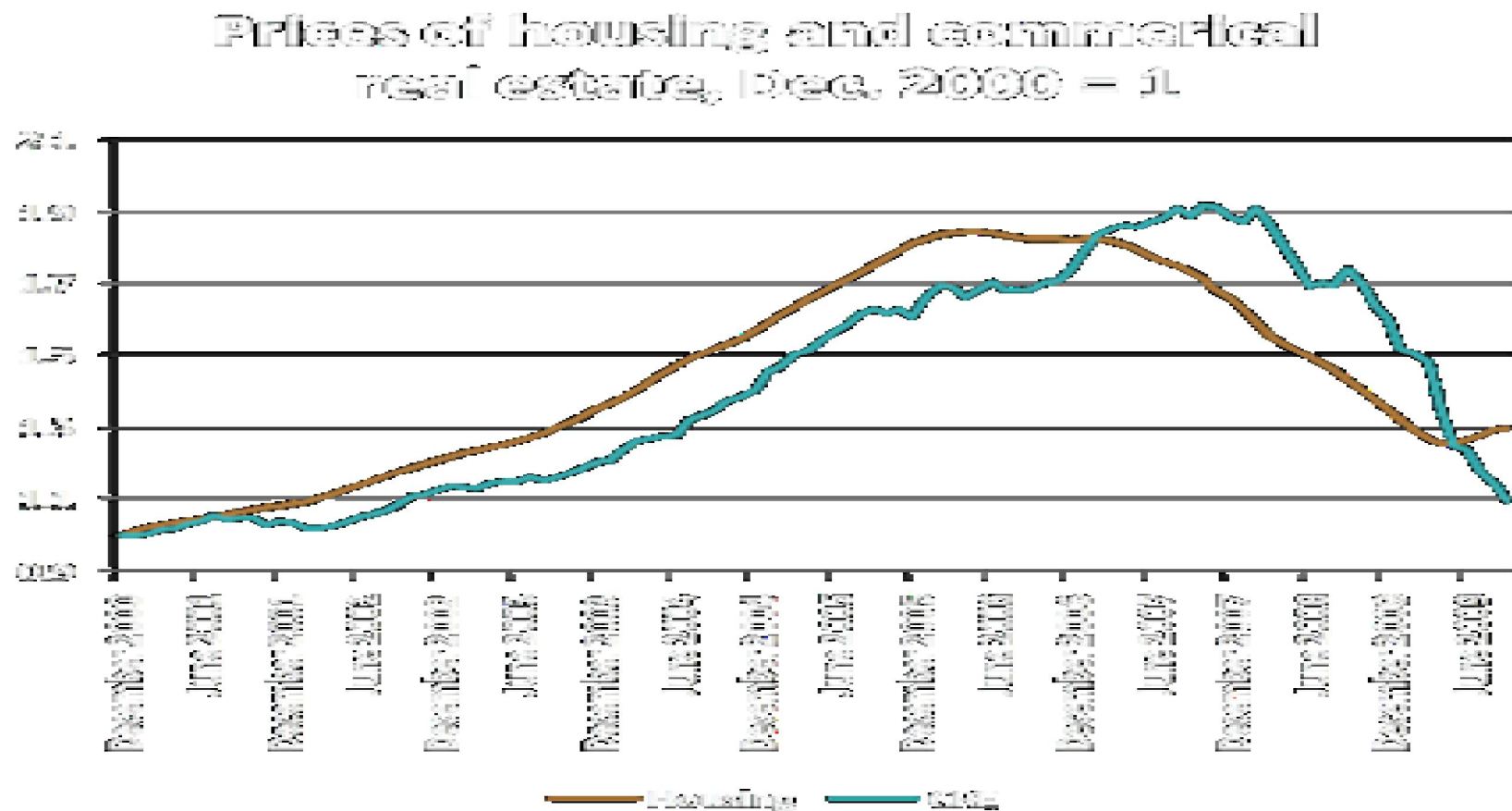
*Transaction-Based & Appraisal-Based Indices Show Similar Results*

Appraisal based CRE property value index & forecast (all sectors): 1Q'04=100



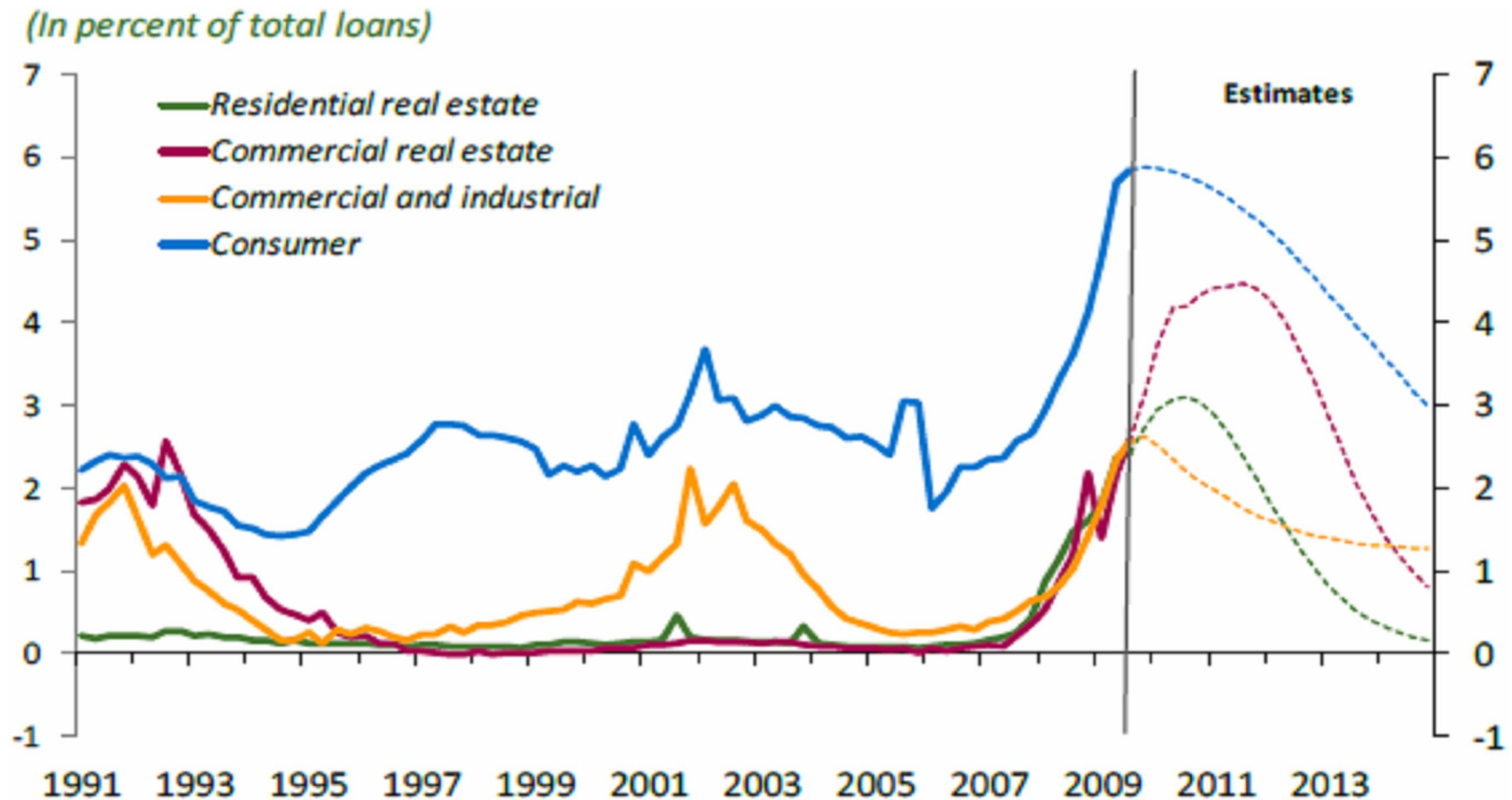
Source: Derived from CBRE Econometric Advisors Investment Outlook, Winter 2010 (NCREIF appraisal based index w/ CBRE forecast, sector weights: office 39%, apartments 28%, retail 20%, industrial 13%; indexed to 100 at Q1-2004

# Commercial Real Estate Prices Have Lagged Behind Residential Prices, But the Pattern is the Same



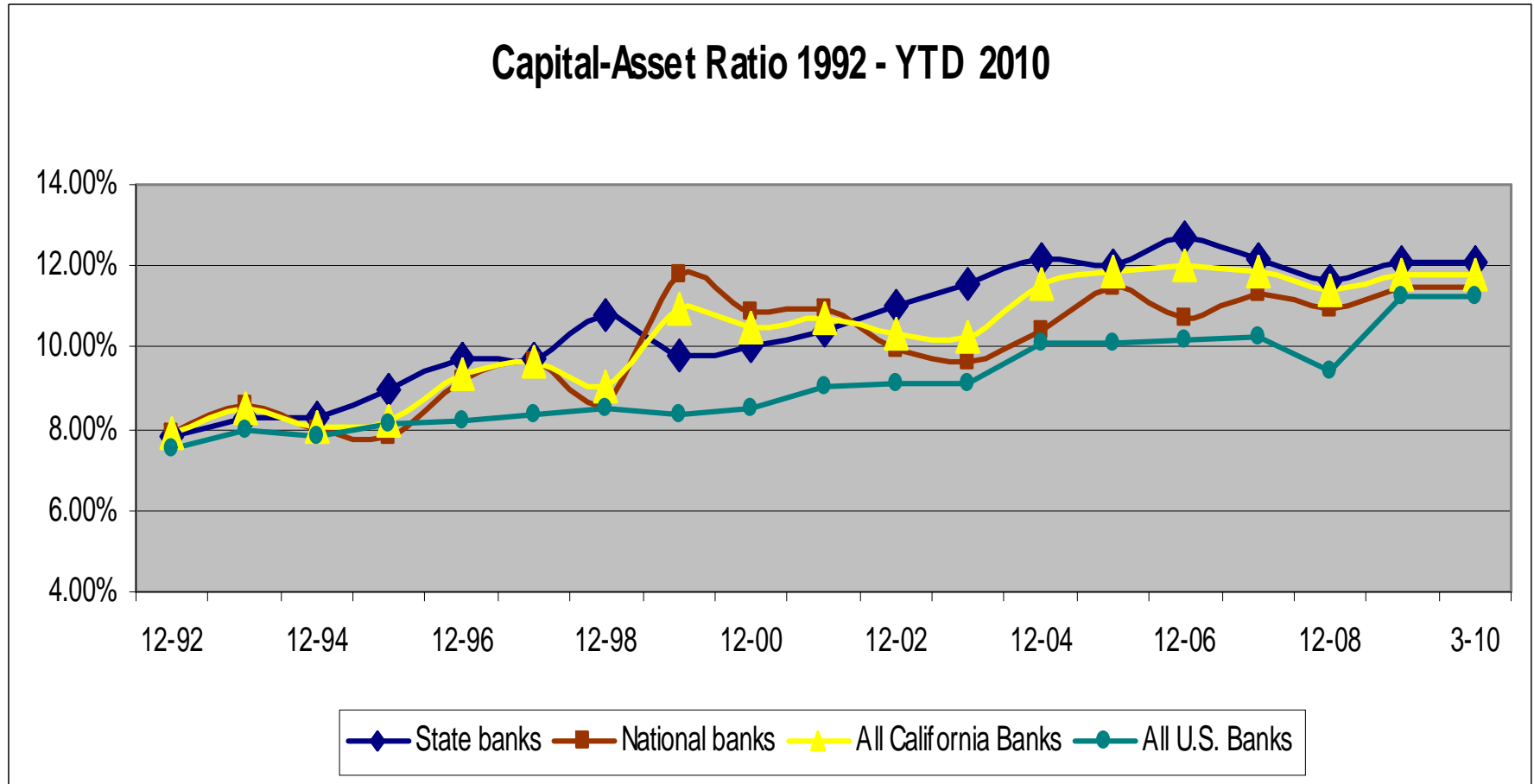


# U.S. Loan Charge-Off Rates (Including IMF Forecasts)



Sources: Federal Reserve; and IMF staff estimates.

# Capital Adequacy





# Equity Capital / Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

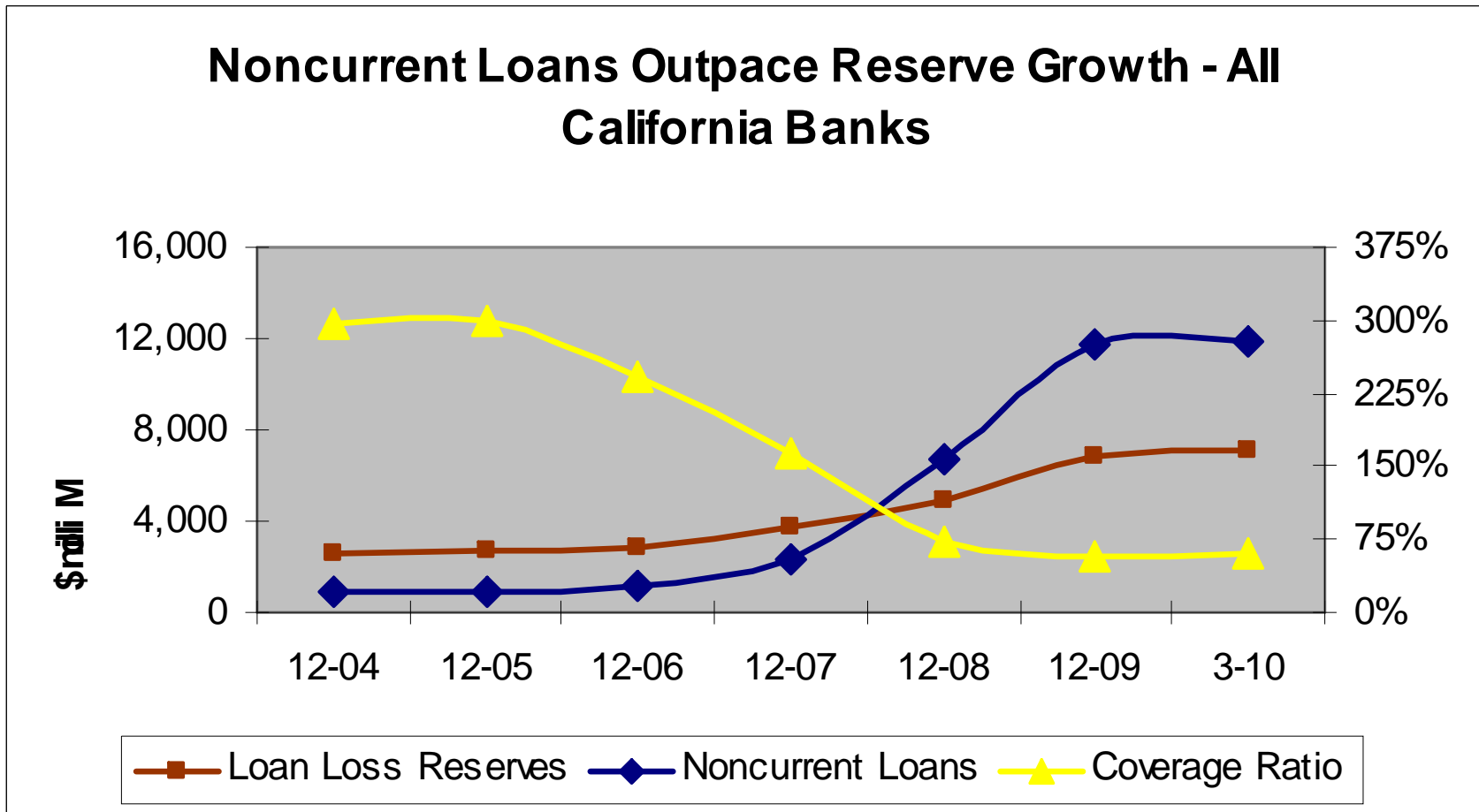
**As of March 31, 2010**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More**	All asset sizes	
Number of Banks	22	108	40	17	22	209
First Quintile	29.9	15.7	17.7	13.1	23.7	19.7
Second Quintile	13.9	12.3	12.7	11.4	18.7	13.0
Third Quintile	11.8	10.7	10.5	10.4	15.7	11.1
Fourth Quintile	10.0	9.7	9.7	7.7	13.5	9.9
Fifth Quintile	6.9	7.7	7.4		11.6	7.6
Total	14.7	11.9	11.7	13.1	15.2	12.8

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

\*\* Due to the small population in this category, it was divided into four equal sized groups.

# Loan Loss Reserves vs. Noncurrent Loans and Leases



**Crystal Ratio by Quintile\***  
**[(Past Due Loans + Other Real Estate Owned)/(Capital + ALLL)]**  
**State Chartered Commercial and Industrial Banks**

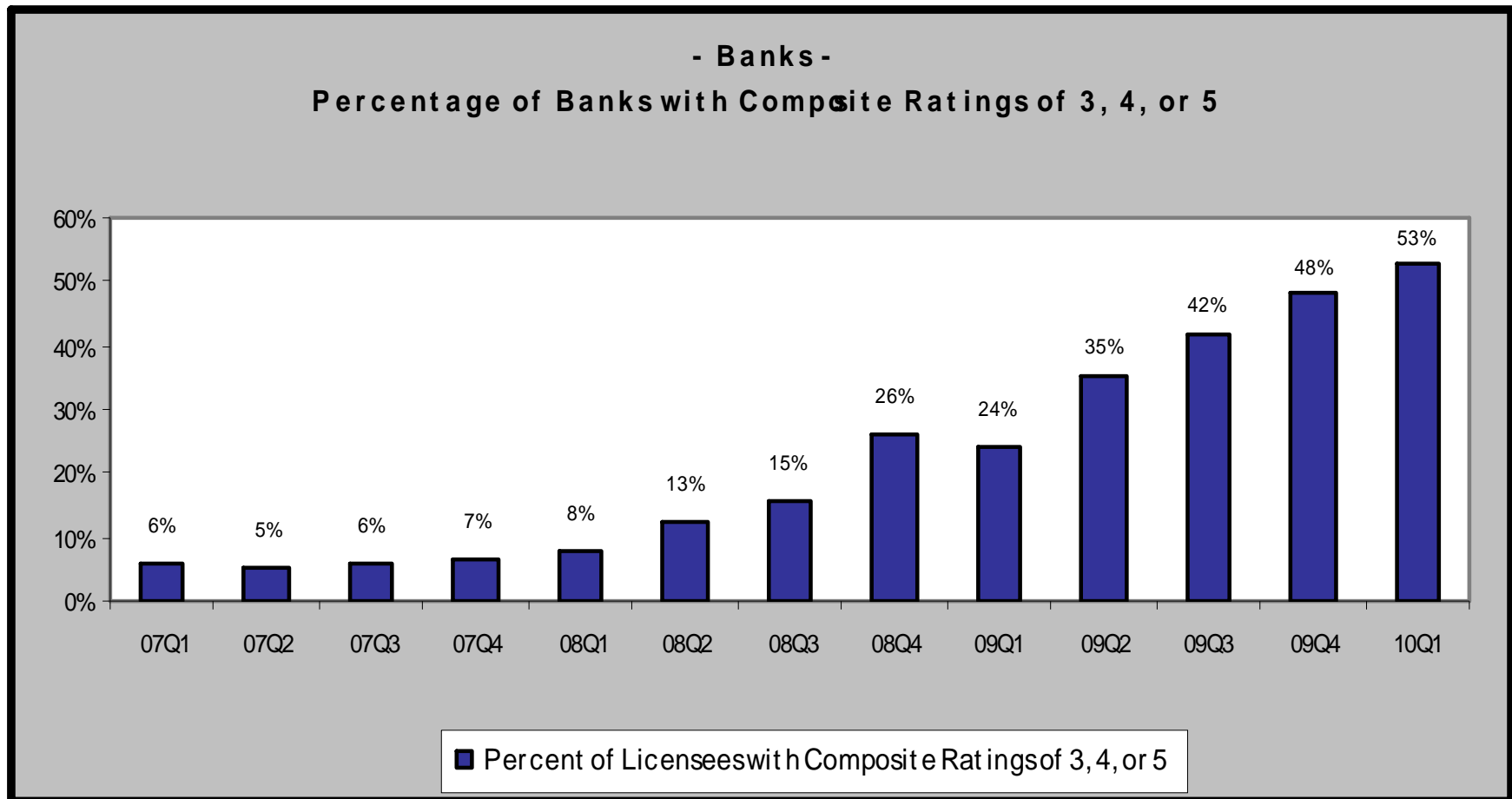
**As of March 31, 2010**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More**	All asset sizes	
Number of Banks	22	108	40	17	22	209
First Quintile	109.1	81.2	102.8	44.2	19.6	86.6
Second Quintile	26.2	42.7	50.4	33.6	8.0	40.1
Third Quintile	13.7	31.0	32.6	26.8	2.4	27.2
Fourth Quintile	4.9	18.5	23.2	15.5	0.0	14.9
Fifth Quintile	2.3	5.9	10.7		0.0	3.0
Total	23.2	33.4	36.0	28.5	22.9	29.9

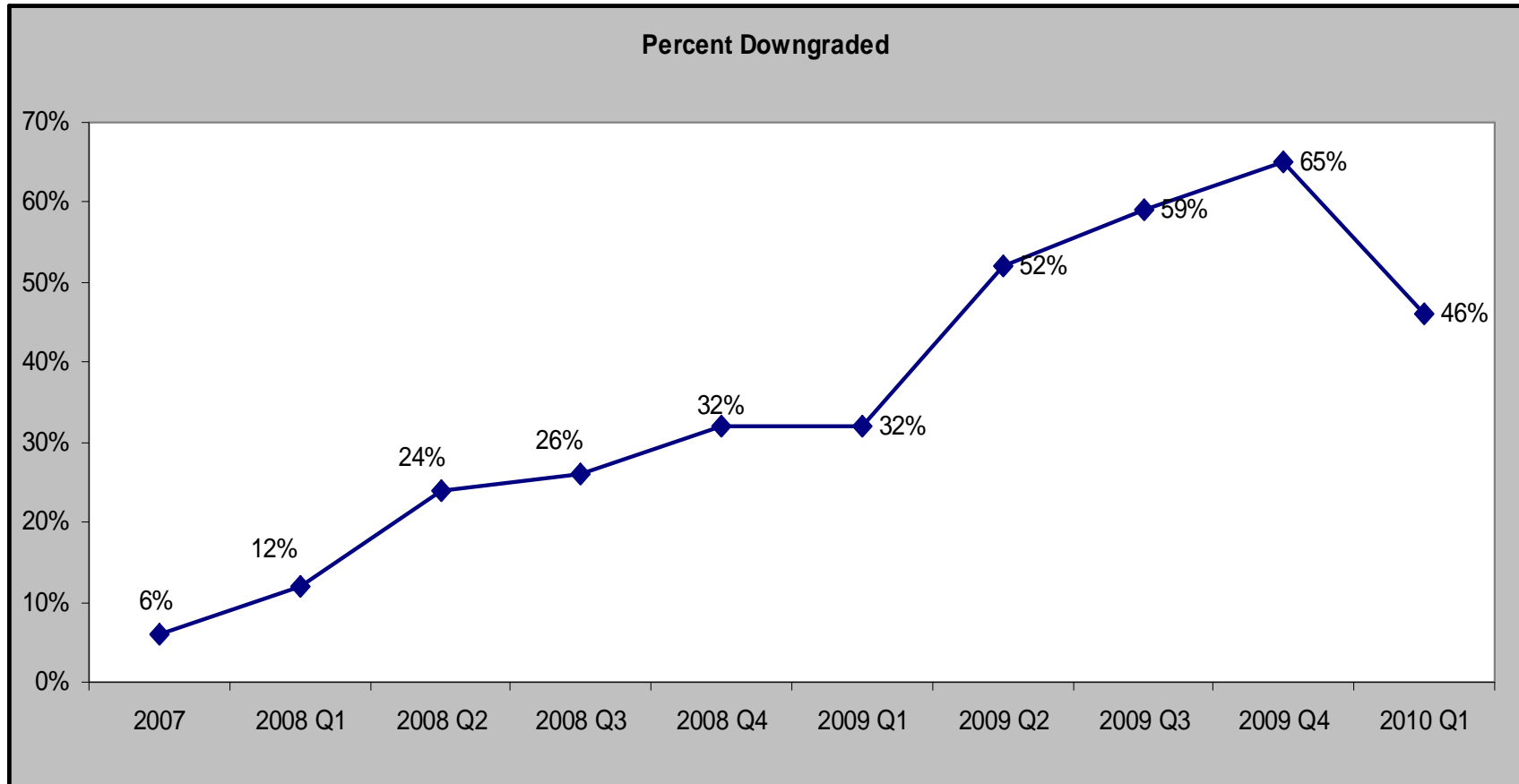
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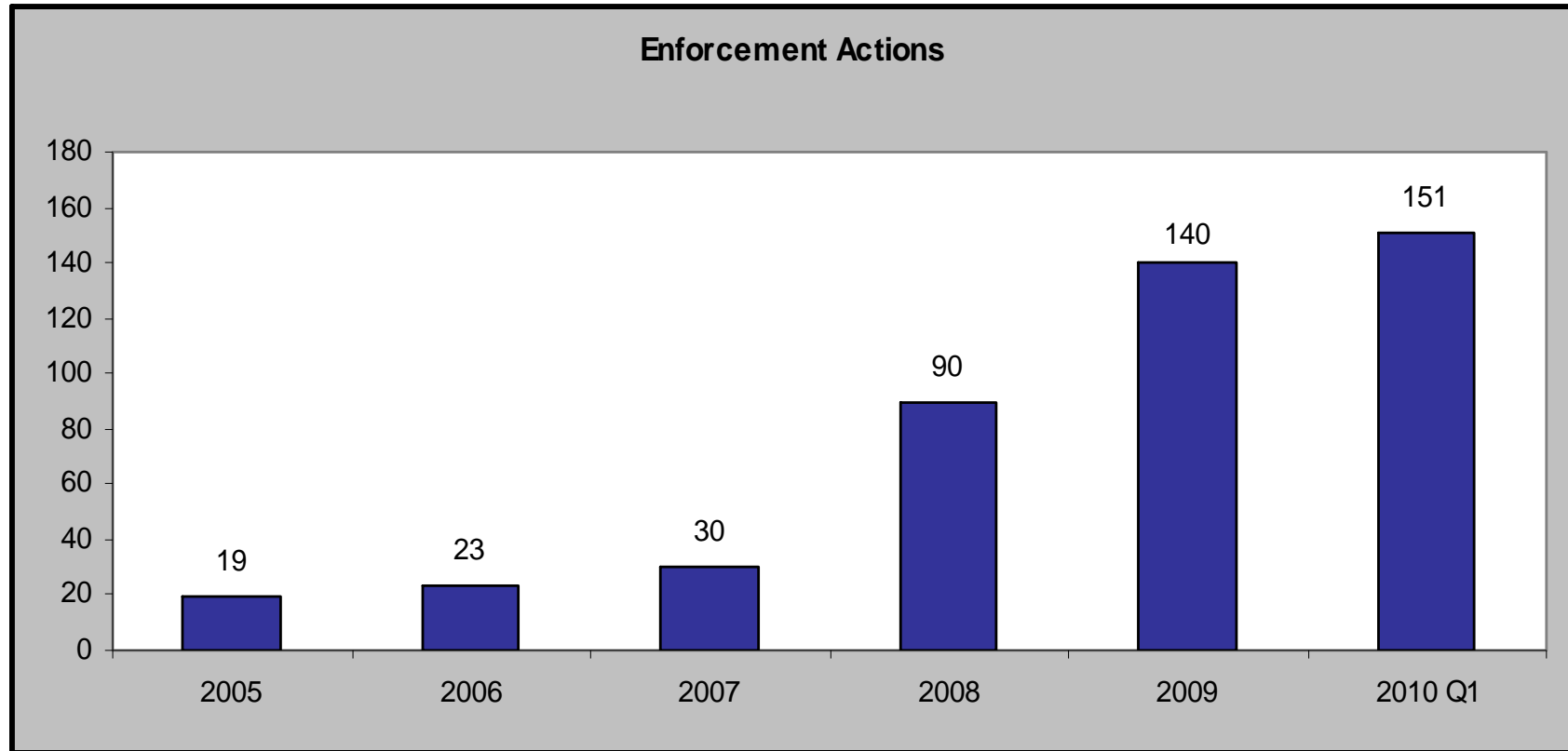
# Increase in Problem Banks



# Downgrades Decelerated in Q1 (...Finally!)



# Enforcement Actions are UP



# California Bank and Thrift Failures

## September 2008 – Present

<u>Name</u>	<u>Type</u>	<u>City</u>	<u>Total Assets (000)</u>	<u>Date Closed</u>
Security Pacific Bank	State	Los Angeles	527,959	11/7/08
Downey Savings and Loan Association	FSB	Newport Beach	12,779,371	11/21/08
PFF Bank & Trust	FSB	Pomona	3,715,433	11/21/08
1st Centennial Bank	State	Redlands	797,959	1/23/09
Alliance Bank	State	Culver City	1,113,361	2/6/09
County Bank	State	Merced	1,711,552	2/6/09
IndyMac Federal Bank, F.S.B.	FSB	Pasadena	23,477,908	3/19/09
First Bank of Beverly Hills	State	Calabasas	1,260,354	4/24/09
MetroPacific Bank	State	Irvine	75,316	6/26/09
Mirae Bank	State	Los Angeles	480,619	6/26/09
Temecula Valley Bank	State	Temecula	1,396,622	7/17/09
Vineyard Bank, National Association	National	Rancho Cucamonga	1,638,378	7/17/09
Affinity Bank	State	Ventura	1,211,431	8/28/09

\* Total assets are as of quarter-end prior to failure.

# California Bank and Thrift Failures

## September 2008 – Present (Continued)

<u>Name</u>	<u>Type</u>	<u>City</u>	<u>Total Assets (000)</u>	<u>Date Closed</u>
San Joaquin Bank	State	Bakersfield	766,359	10/16/09
California National Bank	National	Los Angeles	7,781,100	10/30/09
Pacific National Bank	National	San Francisco	2,319,263	10/30/09
San Diego National Bank	National	San Diego	3,594,544	10/30/09
United Commercial Bank	State	San Francisco	10,895,336	11/6/09
Pacific Coast National Bank	National	San Clemente	131,418	11/13/09
First Federal Bank of California	FSB	Santa Monica	6,143,903	12/18/09
Imperial Capital Bank	State	La Jolla	4,046,888	12/18/09
First Regional Bank	State	Los Angeles	2,082,684	1/29/10
La Jolla Bank, FSB	FSB	La Jolla	3,646,071	2/19/10
Innovative Bank	State	Oakland	266,816	4/16/10
Tamalpais Bank	State	San Rafael	611,504	4/16/10
1st Pacific Bank of California	State	San Diego	335,798	5/7/10

\* Total assets are as of quarter-end prior to failure.



# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
New Resource Bank	San Francisco	9/17/08	Common Stock	13,900
Seacoast Commerce Bank	Chula Vista	10/31/08	Common Stock	4,000
Mission Community Bancorp	San Luis Obispo	12/2/08	Common Stock	3,848
Pacific Valley Bank	Salinas	12/22/08	Common Stock	2,495
UCBH Holdings, Inc.	San Francisco	12/23/08	Common Stock	30,070
PacWest Bancorp	San Diego	1/14/09	Common Stock	100,000
Preferred Bank	Los Angeles	2/11/09	Senior Debt	26,000
Pacific Valley Bank	Salinas	2/19/09	Common Stock	1,502
Bank of the West	San Francisco	3/23/09	Senior Debt	1,000,000
East West Bancorp, Inc.	Pasadena	7/14/09	Common Stock	27,500
East West Bancorp, Inc.	Pasadena	7/20/09	Common Stock	69,850
CVB Financial Corp.	Ontario	7/21/09	Common Stock	115,245

# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present (Continued)

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
PacWest Bancorp	San Diego	8/25/09	Common Stock	50,000
Sierra Bancorp	Porterville	8/28/09	Common Stock	21,285
Hanmi Financial Corporation	Los Angeles	9/4/09	Common Stock	6,946
Preferred Bank	Los Angeles	9/9/09	Common Stock	17,029
Cathay General Bancorp	El Monte	9/30/09	Common Stock	32,379
Pacific Valley Bank	Salinas	9/30/09	Common Stock	1,900
Cathay General Bancorp	El Monte	10/13/09	Common Stock	70,435
Nara Bancorp, Inc.	Los Angeles	10/21/09	Common Stock	75,000
Pacific Premier Bancorp, Inc.	Costa Mesa	11/4/09	Common Stock	15,000
East West Bancorp, Inc.	Pasadena	11/6/09	Preferred Stock	335,047
East West Bancorp, Inc.	Pasadena	11/6/09	Common Stock	164,953
SVB Financial Group	Santa Clara	11/18/09	Common Stock	300,300

# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present (Continued)

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
Center Financial Corporation	Los Angeles	11/30/09	Common Stock	1,510
Center Financial Corporation	Los Angeles	11/30/09	Common Stock	11,271
Pacific Mercantile Bancorp	Costa Mesa	12/3/09	Preferred Stock	1,650
American River Bankshares	Rancho Cordova	12/7/09	Common Stock	22,000
Pacific Mercantile Bancorp	Costa Mesa	12/9/09	Preferred Stock	5,250
Pacific Mercantile Bancorp	Costa Mesa	12/18/09	Preferred Stock	950
Pacific Mercantile Bancorp	Costa Mesa	12/21/09	Preferred Stock	200
Central Valley Community Bancorp	Fresno	12/23/09	Preferred Stock	1,359
Central Valley Community Bancorp	Fresno	12/23/09	Common Stock	6,641
Cathay General Bancorp	El Monte	12/24/09	Common Stock	12,550
Sierra Vista Bank	Folsom	12/30/09	Common Stock	1,232
Center Financial Corporation	Los Angeles	12/31/09	Preferred Stock	73,500
Mission Valley Bancorp	Sun Valley	12/31/09	Preferred Stock	4,580
Pacific Valley Bank	Salinas	12/31/09	Common Stock	500

# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present (Continued)

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
Cathay General Bancorp	El Monte	2/1/10	Common Stock	115,000
Pacific Mercantile Bancorp	Costa Mesa	2/26/10	Preferred Stock	500
Pacific Valley Bank	Salinas	3/1/10	Common Stock	3,000
Saehan Bancorp	Los Angeles	3/9/10	Common Stock	60,600
Heritage Oaks Bancorp	Paso Robles	3/12/10	Preferred Stock	52,088
Heritage Oaks Bancorp	Paso Robles	3/12/10	Preferred Stock	3,866
First California Financial Group, Inc.	Westlake Village	3/18/10	Common Stock	36,000
Bank of Commerce Holdings	Redding	3/23/10	Common Stock	30,600
Seacoast Commerce Bank	Chula Vista	3/31/10	Common Stock	3,200
Community Bank of the Bay	Oakland	4/5/10	Common Stock	5,000
North Valley Bancorp	Redding	4/20/10	Preferred Stock	40,000
Mission Community Bancorp	San Luis Obispo	4/27/10	Common Stock	10,000
Pacific Mercantile Bancorp	Costa Mesa	5/7/10	Preferred Stock	805

**Total**

**2,988,536**

# Changes Among State Banks in 2009

## Dollar Amounts in Thousands

	#	\$
Number of banks and total assets as of 12/31/08	230	253,500,188
# Failed	(11)	(27,304,410)
# Merged out of business	(2)	(300,932)
# Ceased doing business	(1)	(9,901)
# Opened	1	139,710
Acquired other institutions in 2009	8	12,700,890
Did not acquire other institutions in 2009	208	(2,193,632)
Number of banks and total assets as of 12/31/09	217	236,531,913
Net change	(13)	(16,968,275)